The AGRICULTURAL OUTLOOK DIGEST

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U. S. farm products continue to find a ready market at home and abroad.

At home, good business is keeping demand strong. In May, industrial production was only slightly below the peacetime record of March. Steel output dipped early in the month, then resumed a record peacetime rate. However, sheet and strip steel shortages kept automobile production below the March peak.

Employment reached 58.3 million in May, up 1.6 million from April. One million more people were at work on farms than in April. Nonfarm employment rose half a million to hit a new postwar high of 49.4 million. All of gain was in trade and services. Manufacturing was down slightly. The jobless numbered only 2 million, about as low as unemployment can be expected to go.

The national income fell off slightly in April; mostly because of work stoppages and a shorter work week in textiles, apparel, leather and a few other nondurable industries. Salary and wage payments in April, reflected only a few of the recent wage increases which probably will show up in May figures.

Sales at department stores were higher in May than April. Dollar value climbed sharply to equal the August 1946 high. Volume also was up slightly over April.

Abroad, shortages of food and fiber continue critical. More than a billion dollars worth of agricultural products left U. S. shores in the first three months of this year, 8 percent more than in the same period of 1946. Foods made up an unusually high proportion. More than half of all food exports was accounted for by wheat and other grains.

An important factor in future agricultural exports is the Government aid program recently highlighted by the 350 million dollar relief appropriation and the 400 million aid to Greece and Turkey.

Strong demand is keeping prices received by farmers high. Although the index has been easing downward from the March peak, the decline is about normal for the period. It is expected to continue for a few months as 1947 crops come on the market.

Prices paid by farmers, including interest and taxes, in June were up one point from May and equal to the April peak. Feed prices increased most. Food was up slightly. Building materials, clothing, furniture and auto tires were lower; most other commodities about the same. Prices farmers pay are not expected to change very much this summer.

The parity ratio--prices received divided by prices paid--was 118 in June, down 1 point from May.

No marked changes occurred in other price indexes. Food price gains pushed the average of wholesale prices of all commodities moderately higher. The May BLS consumer price index was 156, the same as for April.

Farmers' cash receipts from the sale of their products for the first half of 1947 were about 11.6 billion dollars, a third higher than in the first half of 1946. Receipts from nearly all classes of farm products increased over last year mostly because of higher prices. Those from livestock and products were up 45 percent; crops 14 percent.

Commodity price trends were mixed. Some products declined or advanced seasonally. A capricious, late spring slowed plantings; made the outlook uncertain for many crops.

Floods and cool weather dimmed prospects for corn crop. This, plus heavy domestic and foreign demand for feed grains, boosted corn prices sharply in June. Other feed grain prices shared the advance. As a result, livestock-feed price ratios were generally below average in June.

Feed grain supply for 1947 will depend largely on weather. Short supplies would cause earlier livestock marketings this fall and winter. Weights would be lighter, and total meat production would not be affected greatly. Short crops would, however, reduce meat supplies significantly in 1948.

June meat animal prices, bolstered by unusually strong demand, were about 50 percent higher than controlled prices of a year ago. Outlook points to high prices through summer, possibly longer. Increased beef and veal marketings will keep meat output above the same period of 1946, but fall and winter production will be about the same as last year.

Farmers are likely to get seasonally lower prices for lower grade slaughter cattle, stockers and feeders as marketings increase this summer. Well-fed cattle will continue to bring prices near present high levels even though supplies are larger than 1946.

June pig crop report estimated spring crop at 53,161,000 head. Hog marketings will be smaller than usual and prices will hold through early fall but a seasonal price reduction is in prospect for late autumn. Lamb prices probably will slide downward through early fall as marketings increase.

Meat exports and shipments are about double prewar but less than 3 percent of output. They may increase if import and export controls end June 30. In any event, the year's total probably will be materially above the prewar average but far below any year since 1940.

Prospects for a 1.4 billion bushel crop continue to be the big news in wheat. Prices began adjusting to new crop in late May when a seasonal decline began. Heavy exports will cushion depressing effect of the record crop.

A crop of this size may leave about 610 million bushels of wheat for export and addition to carryover in coming crop year. Exports are expected to exceed the 385 million estimated for 1946-47 though record crop may overload transportation, storage and port facilities.

Moisture conditions are favorable for wheat in Canada, Argentina and Australia. Russian prospects are reported favorable but Western European output probably will be lower than in 1946. North African crop is satisfactory except in Tunisia.

Milk production will be about the same the rest of this year as in 1946. Less fluid milk and cream will be consumed and more will go into butter and other manufactured products. Butter production will decline less than usual this summer. Cheese output will fall off more than usual while evaporated milk production will stay near present levels.

Wholesale prices of dairy products are now lower than usual in relation to the general level of wholesale food prices. Fluid milk prices are relatively higher than butter and cheese prices.

Egg prices were at record highs during the first half of this year but only 93 percent of parity. They will continue above last year but may rise less than usual this fall.

During first half of year, consumption of eggs was around 205 per person, about equal the 1945 record. From January 1 through June 20, USDA has purchased the equivalent of 8 million cases of eggs for price support.

Slump in fats and oils prices, except for linseed oil, was checked in late May. Prices will average lower in 1947-48 than in present marketing year.

Production prospects indicate a 10 billion pound output of fats and oils in 1947-48; above the 9.4 billion for this year but a billion below the 1943-44 peak. World supplies will increase but not enough to permit a return to prewar per person consumption in Northern Hemisphere countries.

Lower prices than last year are expected for most fruits. Prices of oranges, grapefruit and lemons are expected to rise seasonally in July and August. Supplies are well above those of 1946.

Despite smaller crops, growers' prices for pears and commercial apples may average no higher than in 1946. Larger production of peaches may lower average prices. Prices for sweet and sour cherries and for apricots probably will be higher than last year with output for each crop reduced.

Bumper cantaloup and watermelon crops are in prospect for this summer, but output of most other commercial truck crops produced for fresh market may be 14 percent below 1946. As a result, prices growers will receive in July and August will average considerably higher than those of a year earlier.

Potato prices are expected to average higher in July and August than in the same months last year. Production is running much lower.

Surpluses which jammed potato markets in 1946-47 are unlikely this year. Acreages planted or being planted in intermediate and late areas apparently are about in line with 1947 goals. To support prices, USDA has purchased about 200,000 bushels of the early crop--about 1 percent of quantity which moved into commercial markets.

Cotton prices moved steadily upward in early June, then weakened slightly. The average for June 1 to June 27 was 37.16, only 1-1/2 cents below the October peak. The volume of sales in the 10 spot markets in early June was 40,000 bales per week, 30,000 less than in early May.

Domestic mills used 827 thousand bales in May to bring first 10 months total to 8.6 million. Consumption for the season is expected to total about 10 million bales, and net exports 3 million. This would leave an August 1 carryover of about 3 million bales, 60 percent less than a year earlier and the lowest since 1929.

Farmers' prices for wool averaged 38.3 cents per pound in June, 0.7 cents lower than in May and 4.2 cents lower than in June of last year. Declines were general but were largest in the Midwest. The support program ended April 15.

During the first quarter of this year, mills consumed wool at the 1946 record rate, but use is expected to fall off during the rest of the year. Mill output declined from the peak of the last quarter of 1946, chiefly because of lower production of women's and children's wear fabrics, blankets and woolen knitting yarns.

A plentiful supply of woolens and blankets is on hand and production of these items is expected to decline still further.

Prices at Maryland tobacco auctions fell off sharply in late May, then turned upward and averaged 46.3 for the week ending June 20.

Demand for flue cured tobacco will be strong because of high cigarette consumption. Foreign demand is lower because of the new British import duties. However, support prices will be higher than last year.

According to tax paid withdrawal figures, cigarette consumption continued high in April but cigar consumption slumped further.

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